

Message Text

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54

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03

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R 161209Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2786

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

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FOR EB/TT/MA

E.O. 11652: N/A

TAGS: EWWT, ENRG, OPEC, KU

SUBJECT: STATUS OF KUWAIT'S OIL CARGO PREFERENCE

REF: STATE 77027

1. KUWAIT'S NATIONAL OIL TANKER COMPANY IS PRIVATELY-OWNED

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KUWAIT OIL TANKERS COMPANY. IT PRESENTLY HAS SIX TANKERS ON
FIXED TIME CHARTERS, AND COMPANY IS AWAITING IMMINENT DELIVERY

OF ITS FIRST ULCC, "AL-ANDALUS" FROM SPAIN. IN ADDITION ONE ULCC EACH IS BEING BUILT IN FRANCE AND JAPAN, AND A VLCC IS BEING BUILT IN JAPAN AS WELL.

2. THUS FAR, OIL PREFERENCE CLAUSES OR LEGISLATION HAVE NOT BEEN REQUIRED, BUT MAIN PETROLEUM OPERATING COMPANIES, GULF AND BP, WHO WERE THE ORIGINAL OWNERS OF KUWAIT OIL COMPANY, IN FACT, HAVE LONG TERM CHARTER ARRANGMENTS FOR ALL OF KOTC'S SIX SHIPS. SIMILARLY, GULF COMMITTED TO TWENTY YEAR CHARTER OF AL-ANDALUS.

3. IN PAST YEAR OR SO SITUATION HAS BEEN CHANGING. GOK NOW OWNS 60 PERCENT KOC AND IS EXPECTED TO ASSUME FULL 100 PERCENT OWNERSHIP SOON. IN ADDITION GOK HAS TAKEN OVER 40 PERCENT OF KUWAIT NATIONAL PETROLEUM COMPANY THAT HAD BEEN OWNED BY PRIVATE KUWAITI INTERESTS, AND THROUGH KUWAIT OIL, GAS AND ENERGY COMPANY, GOK WILL BECOME SOLE OWNER OF OIL INDUSTRY HERE. THIS RAISES QUESTION OF WHETHER KOTC WILL REMAIN A FULLY PRIVATE COMPANY, WHICH IS HIGHLY UNLIKELY.

4. IN ADDITION GOK NOW SELLING CRUDE DIRECTLY TO CUSTOMERS, AND ACCORDING TO PUBLIC STATEMENTS BY SENIOR GOK OFFICIAL SALES CONTRACTS INCLUDE CLAUSES WHICH REQUIRE THAT KUWAITI-OWNED TANKERS OR ONES WITH SOME PERCENTAGE OF KUWAITI OWNERSHIP HAVE FIRST PREFERENCE IN TRANSPORTING KUWAIT CRUDE. THESE CONTRACT TERMS SUGGEST THAT THERE WILL CONTINUE TO BE NO NEED FOR PREFERENCE LEGISLATION.

5. EMBASSY BELIEVES THAT PREFERENCE CLAUSE IN CONTRACTS LIKELY TO BE EXTENDED TO LPG, PRODUCT OR OTHER CARRIERS AS WELL, ONCE THOSE ORDERED OR ABOUT TO BE ARE IN SERVICE. TO OBTAIN THIS SUPPORT FROM GOK, HOWEVER, COMPANIES WILL PROBABLY HAVE TO OBTAIN SOME SORT OF PRIOR APPROVAL FROM GOK. (ONE MULTINATIONAL LPG TRANSPORT COMPANY BASED HERE HAS ORDERED THREE LPG CARRIERS WITHOUT PRIOR GOK APPROVAL AND MAY NOT RECEIVE ANY GOK SUPPORT.)

6. WE HAVE HEARD UNCONFIRMED REPORTS THAT OPEC STUDYING THIS ENTIRE QUESTION WITH A VIEW TO STANDARDIZE ARAB POLICY AND TO LIMITED OFFICIAL USE
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SUPPORT KUWAIT-BASED ARAB MARITIME PETROLEUM TRANSPORT COMPANY WHICH WILL FLY FLAGS OF ITS VARIOUS OPEC MEMBER STATES.

7. COMMENT: KOTC MOVES LESS THAN 2 PERCENT OF KUWAIT'S CRUDE PRODUCTION. EVEN WHEN COMPANY'S NEW SHIPS ARE AFLOAT, TOTAL SIZE OF FLEET WILL BE ABOUT 2 MILLION DWT, AND KOTC WILL BE PHYSICALLY ABLE TO MOVE ONLY 4 PERCENT OF KUWAITI PRODUCTION.
STOLTZFUS

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